

Monthly Operating Report

CASE NAME: Superior Air Parts, Inc.
CASE NUMBER: 08-36705-BJH-11
JUDGE:

ACCRUAL BASIS

02/13/95, RWD, 1/96, RWD, 7/99

UNITED STATES BANKRUPTCY COURT
Northern DISTRICT OF Texas
Dallas DIVISION

MONTHLY OPERATING REPORT

MONTH ENDING: August 31, 2008

I DECLARE UNDER PENALTY OF PERJURY THAT I HAVE EXAMINED THE FOLLOWING MONTHLY OPERATING REPORT (ACCRUAL BASIS-1 THROUGH ACCRUAL BASIS-7) AND THE ACCOMPANYING ATTACHMENTS AND THESE DOCUMENTS ARE TRUE, CORRECT AND COMPLETE. DECLARATION OF THE PREPARER IS BASED ON ALL INFORMATION OF WHICH PREPARER HAS ANY KNOWLEDGE.

RESPONSIBLE PARTY



ORIGINAL SIGNATURE OF RESPONSIBLE PARTY

Kent Abercrombie

PRINTED NAME OF RESPONSIBLE PARTY

President

TITLE

9-18-2008

DATE

PREPARER:



ORIGINAL SIGNATURE OF PREPARER

Kent Abercrombie

PRINTED NAME OF PREPARER

President

TITLE

9-18-2008

DATE

| |
|-------------------------------------|
| CASE NAME: SUPERIOR AIR PARTS, INC. |
| CASE NUMBER: 08-36705-BJH-11 |

ACCRUAL BASIS-1

COMPARATIVE BALANCE SHEET

| ASSETS | SCHEDULE AMOUNT | MONTH | MONTH | MONTH |
|--|--------------------|--------------|--------------|--------------|
| | | 6/30/2009 | 7/31/2009 | 8/31/2009 |
| 1. UNRESTRICTED CASH | 412,357 | 3,137,559 | 3,134,950 | 3,233,566 |
| 2. RESTRICTED CASH | 0 | 0 | 700,000 | 700,000 |
| 3. TOTAL CASH | 412,357 | 3,137,559 | 3,834,950 | 3,933,566 |
| a. 4. ACCOUNTS RECEIVABLE (NET) | 5,392,055 | 4,810,234 | 4,830,282 | 4,875,317 |
| b. 5. INVENTORY | 11,158,744 | 7,382,740 | 7,072,721 | 6,533,128 |
| 6. NOTES RECEIVABLE | 0 | 0 | 0 | 0 |
| 7. PREPAID EXPENSES | 85,107 | 636,482 | 494,589 | 368,333 |
| 8. OTHER (ATTACH LIST) | 13,385 | 0 | 0 | 0 |
| 9. TOTAL CURRENT ASSETS | 16,649,291 | 12,829,456 | 12,397,593 | 11,776,777 |
| c. 10. PROPERTY, PLANT, & EQUIPMENT | 1,062,565 | 4,462,632 | 4,462,632 | 4,462,632 |
| c. 11. LESS: ACCUMULATED DEPRECIATION/DEPLETION | 0 | 3,719,455 | 3,751,026 | 3,781,524 |
| 12. NET PROPERTY, PLANT & EQUIPMENT | 1,062,565 | 743,177 | 711,606 | 681,108 |
| 13. DUE FROM INSIDERS | 0 | 0 | 0 | 0 |
| 14. OTHER ASSETS - NET OF AMORTIZATION (ATTACH LIST) | 0 | 1,050,576 | 1,026,121 | 1,001,666 |
| 15. OTHER (ATTACH LIST) | 15,471 | 0 | 0 | 0 |
| 16. TOTAL ASSETS | 18,139,684 | 17,760,768 | 17,970,270 | 17,393,117 |
| POSTPETITION LIABILITIES | | | | |
| 17. ACOCUNTS PAYABLE | | 259,997 | 836,151 | 1,218,565 |
| 18. TAXES PAYABLE | | 163,816 | 186,871 | 209,927 |
| d. 19. NOTES PAYABLE | | 0 | 0 | 0 |
| 20. PROFESSIONAL FEES | | 394,598 | 564,675 | 421,026 |
| 21. SECURED DEBT | | | | |
| 22. OTHER (ATTACH LIST) | | 272,708 | 293,712 | 342,148 |
| 23. TOTAL POSTPETITION LIABILITIES | 0 | 1,091,119 | 1,881,409 | 2,191,666 |
| PREPETITION LIABILITIES | | | | |
| 24. SECURED DEBT | 10,291,701 | 10,146,611 | 10,146,611 | 10,146,611 |
| 25. PRIORITY DEBT | 74,641 | 0 | 0 | 0 |
| 26. UNSECURED DEBT | 16,897,517 | 16,866,817 | 16,866,817 | 16,866,817 |
| 27. OTHER (ATTACH LIST) | 0 | 3,310,194 | 3,310,194 | 3,310,194 |
| 28. TOTAL PREPETITION LIABILITIES | 27,263,859 | 30,323,623 | 30,323,623 | 30,323,623 |
| 29. TOTAL LIABILITIES | 27,263,859 | 31,414,742 | 32,205,031 | 32,515,289 |
| EQUITY | | | | |
| e. 30. PREPETITION OWNERS' EQUITY | | (11,010,850) | (11,010,850) | (11,010,850) |
| 31. POSTPETITION CUMULATIVE PROFIT OR (LOSS) | | (2,643,123) | (3,223,910) | (4,111,320) |
| 32. DIRECT CHARGES TO EQUITY (ATTACH EXPLANATION) | | | | |
| 33. TOTAL EQUITY | 0 | (13,653,973) | (14,234,760) | (15,122,170) |
| 34. TOTAL LIABILITIES & OWNERS EQUITY | 27,263,859 | 17,760,769 | 17,970,271 | 17,393,118 |

CASE NAME: SUPERIOR AIR PARTS, INC.

ACCRUAL BASIS-2

CASE NUMBER: 08-36705-BJH-11

INCOME STATEMENT

| | MONTH | MONTH | MONTH | QUARTER |
|--|-----------|-----------|-----------|-------------|
| REVENUES | 6/30/2009 | 7/31/2009 | 8/31/2009 | TOTAL |
| 1. GROSS REVENUES | 627,066 | 655,585 | 677,471 | 1,960,122 |
| 2. LESS: RETURNS & DISCOUNTS | 5,684 | 4,081 | 1,124 | 10,889 |
| 3. NET REVENUE | 621,382 | 651,505 | 676,347 | 1,949,233 |
| COST OF GOODS SOLD | | | | |
| 4. MATERIAL | 382,978 | 565,996 | 399,150 | 1,348,124 |
| 5. DIRECT LABOR | 0 | 0 | 0 | 0 |
| 6. DIRECT OVERHEAD | 0 | 0 | 0 | 0 |
| 7. TOTAL COST OF GOODS SOLD | 382,978 | 565,996 | 399,150 | 1,348,124 |
| 8. GROSS PROFIT | 238,404 | 85,508 | 277,197 | 601,109 |
| OPERATING EXPENSES | | | | |
| 9. OFFICER/INSIDER COMPENSATION | 11,000 | 11,500 | 10,500 | 33,000 |
| 10. SELLING & MARKETING | 7,038 | 10,558 | 7,038 | 24,634 |
| 11. GENERAL & ADMINISTRATIVE | 344,062 | 349,875 | 356,322 | 1,050,259 |
| 12. RENT & LEASE | 37,614 | 38,337 | 32,293 | 108,244 |
| 13. OTHER (ATTACH LIST) | 0 | 0 | 503,500 | 503,500 |
| 14. TOTAL OPERATING EXPENSES | 399,714 | 410,270 | 909,654 | 1,719,637 |
| 15. INCOME BEFORE NON-OPERATING INCOME & EXPENSE | (161,310) | (324,761) | (632,457) | (1,118,528) |
| OTHER INCOME & EXPENSES | | | | |
| 16. NON-OPERATING INCOME (ATT. LIST) | 0 | 0 | 0 | 0 |
| 17. NON-OPERATING EXPENSE (ATT. LIST) | 0 | 0 | 0 | 0 |
| 18. INTEREST EXPENSE | 0 | 0 | 0 | 0 |
| 19. DEPRECIATION/DEPLETION | 33,335 | 31,571 | 30,498 | 95,405 |
| 20. AMORTIZATION | 24,455 | 24,455 | 24,455 | 73,365 |
| 21. OTHER (ATTACH LIST) | 0 | 0 | 0 | 0 |
| 22. NET OTHER INCOME & EXPENSES | 57,790 | 56,026 | 54,953 | 168,770 |
| REORGANIZATION EXPENSES | | | | |
| 23. PROFESSIONAL FEES | 200,000 | 193,500 | 200,000 | 593,500 |
| 24. U.S. TRUSTEE FEES | 0 | 6,500 | 0 | 6,500 |
| 25. OTHER (ATTACH LIST) | 0 | 0 | 0 | 0 |
| 26. TOTAL REORGANIZATION EXPENSES | 0 | 0 | 0 | 0 |
| 27. INCOME TAX | 0 | 0 | 0 | 0 |
| 28. NET PROFIT (LOSS) | (419,100) | (580,787) | (887,410) | (1,887,298) |

CASE NAME: SUPERIOR AIR PARTS, INC.

ACCRUAL BASIS-3

CASE NUMBER: 08-36705-BJH-11

INCOME STATEMENT

| CASH RECEIPTS AND DISBURSEMENTS | MONTH | MONTH | MONTH | QUARTER |
|--|-----------|-----------|-----------|-----------|
| | 6/30/2009 | 7/31/2009 | 8/31/2009 | TOTAL |
| 1. CASH - BEGINNING OF MONTH | 3,938,851 | 3,111,540 | 3,834,950 | 3,938,851 |
| RECEIPTS FROM OPERATIONS | | | | |
| 2. CASH SALES | 0 | 0 | 0 | 0 |
| COLLECTION OF ACCOUNTS RECEIVABLE | | | | |
| 3. PREPETITION | | | | 0 |
| 4. POSTPETITION | 726,702 | 617,347 | 626,292 | 1,970,341 |
| 5. TOTAL OPERATING RECEIPTS | 726,702 | 617,347 | 626,292 | 1,970,341 |
| NON-OPERATING RECEIPTS | | | | |
| 6. LOANS & ADVANCES (ATTACH LIST) | 0 | 0 | 0 | 0 |
| 7. SALE OF ASSETS | 0 | 0 | 0 | 0 |
| 8. OTHER (ATTACH LIST) | 0 | 700,000 | 0 | 700,000 |
| 9. TOTAL NON-OPERATING RECEIPTS | 0 | 700,000 | 0 | 700,000 |
| 10. TOTAL RECEIPTS | 726,702 | 1,317,347 | 626,292 | 2,670,341 |
| 11. TOTAL CASH AVAILABLE | 4,665,552 | 4,428,887 | 4,461,242 | 6,609,192 |
| OPERATING DISBURSEMENTS | | | | |
| 12. NET PAYROLL | 77,488 | 60,460 | 58,069 | 196,017 |
| 13. PAYROLL TAXES PAID | 19,553 | 29,539 | 19,550 | 68,642 |
| 14. SALES, USE, & OTHER TAXES PAID | 0 | 72 | 0 | 72 |
| 15. SECURED/RENTAL/LEASES | 39,299 | 42,214 | 56,062 | 137,575 |
| 16. UTILITIES | 1,903 | 2,730 | 3,566 | 8,199 |
| 17. INSURANCE | 384,536 | 27,600 | 12,613 | 424,749 |
| 18. INVENTORY PURCHASES | 452,077 | 336,203 | 301,738 | 1,090,018 |
| 19. VEHICLE EXPENSES | 130 | 94 | 111 | 335 |
| 20. TRAVEL | 2,569 | 753 | 3,188 | 6,509 |
| 21. ENTERTAINMENT | 165 | 0 | 0 | 165 |
| 22. REPAIRS & MAINTENANCE | 20,521 | 3,614 | 2,352 | 26,487 |
| 23. SUPPLIES | 2,260 | 4,125 | 1,620 | 8,005 |
| 24. ADVERTISING | 170 | 0 | 0 | 170 |
| 25. OTHER (ATTACH LIST) | 22,102 | 22,273 | 27,844 | 72,220 |
| 26. TOTAL OPERATING DISBURSEMENTS | 1,022,774 | 529,677 | 486,713 | 2,039,164 |
| REORGANIZATION EXPENSES | | | | |
| 27. PROFESSIONAL FEES | 531,238 | 57,760 | 40,964 | 629,962 |
| 28. U.S. TRUSTEE FEES | 0 | 6,500 | 0 | 6,500 |
| 29. OTHER (ATTACH LIST) | 0 | 0 | 0 | 0 |
| 30. TOTAL REORGANIZATION EXPENSES | 531,238 | 64,260 | 40,964 | 636,462 |
| 31. TOTAL DISBURSEMENTS | 1,554,012 | 593,937 | 527,677 | 2,675,626 |
| 32. NET CASH FLOW | (827,310) | 723,410 | 98,616 | (5,285) |
| 33. CASH - END OF MONTH | 3,111,540 | 3,834,950 | 3,933,566 | 3,933,566 |

Monthly Operating Report

CASE NAME: SUPERIOR AIR PARTS, INC.

ACCRUAL BASIS-4

CASE NUMBER: 08-36705-BJH-11

| ACCOUNTS RECEIVABLE AGING | | SCHEDULE AMOUNT | MONTH 6/30/2009 | MONTH 7/31/2009 | MONTH 8/31/2009 |
|---------------------------|---------------------------------|--------------------|--------------------|--------------------|--------------------|
| 1. | 0-30 | 1,746,699 | 763,491 | 839,391 | 881,286 |
| 2. | 31-60 | 129,130 | 53,951 | 106,589 | 144,865 |
| 3. | 61-90 | 48,258 | 192,530 | 33,808 | 28,973 |
| 4. | 91+ | 3,467,968 | 4,059,420 | 4,101,928 | 4,061,003 |
| 5. | TOTAL ACCOUNTS RECEIVABLE | 5,392,055 | 5,069,394 | 5,081,715 | 5,116,128 |
| 6. | AMOUNT CONSIDERED UNCOLLECTIBLE | 0 | 3,774,354 | 3,777,434 | 3,786,037 |
| 7. | ACCOUNTS RECEIVABLE (NET) | 5,392,055 | 1,295,040 | 1,304,281 | 1,330,091 |

AGING OF POSTPETITION TAXES AND PAYABLES

| TAXES PAYABLE | 0-30 DAYS | 31-60 DAYS | 61-90 DAYS | 91+ DAYS | TOTAL |
|------------------------|--------------|---------------|---------------|-------------|-----------|
| 1. FEDERAL | | | | 0 | 0 |
| 2. STATE | | | | 0 | 0 |
| 3. LOCAL | | | | 0 | 0 |
| 4. OTHER (ATTACH LIST) | | | | 0 | 0 |
| 5. TOTAL TAXES PAYABLE | | | | 0 | 0 |
| 6. ACCOUNTS PAYABLE | 1,101,240 | 23,197 | 35,922 | 58,207 | 1,218,565 |

STATUS OF POSTPETITION TAXES

| | BEGINNING TAX LIABILITY* | AMOUNT WITHHELD AND OR ACCRUED | AMOUNT PAID | ENDING TAX LIABILITY |
|-------------------------|--------------------------------|--------------------------------------|----------------|----------------------------|
| FEDERAL | | | | |
| 1. WITHHOLDING** | 0 | 8,790 | 8,790 | 0 |
| 2. FICA - EMPLOYEE** | 0 | 4,437 | 4,437 | 0 |
| 3. FICA - EMPLOYER** | 0 | 4,437 | 4,437 | 0 |
| 4. UNEMPLOYMENT | 0 | 0 | 0 | 0 |
| 5. INCOME | 0 | 0 | 0 | 0 |
| 6. OTHER (ATTACH LIST) | 0 | 2,076 | 2,076 | 0 |
| 7. TOTAL FEDERAL TAXES | 0 | 19,740 | 19,740 | 0 |
| STATE AND LOCAL | | | | |
| 8. WITHHOLDING | 0 | 0 | 0 | 0 |
| 9. SALES | (96) | 0 | 0 | (96) |
| 10. EXCISE | 0 | 0 | 0 | 0 |
| 11. UNEMPLOYMENT | 0 | 0 | 0 | 0 |
| 12. REAL PROPERTY | 0 | 0 | 0 | 0 |
| 13. PERSONAL PROPERTY | 0 | 0 | 0 | 0 |
| 14. OTHER (ATTACH LIST) | 0 | 0 | 0 | 0 |
| 15. TOTAL STATE & LOCAL | (96) | 0 | 0 | (96) |
| 16. TOTAL TAXES | (96) | 19,740 | 19,740 | (96) |

* The beginning tax liability should represent the liability from the prior report, the amount should be zero.

** Attach photocopies of IRS Form 6123 or your FTD coupon and payment

Monthly Operating Report

| |
|-------------------------------------|
| CASE NAME: SUPERIOR AIR PARTS, INC. |
| CASE NUMBER: 08-36705-BJH-11 |

ACCRUAL BASIS-5

The debtor in possession must complete the reconciliation below for each bank account, including all general, payroll, and tax accounts, as well as all savings and investment accounts, money market accounts, certificates of deposit, governmental obligations, etc. Accounts with restricted funds should be identified by placing an asterisk next to the account number. Attach additional sheets if necessary.

MONTH: _____

| BANK RECONCILIATIONS | | Account #1 | Account #2 | Account #3 | TOTAL |
|-------------------------------|----------------------------------|------------------|--------------------|----------------|---------------|
| A. | BANK: JPMORGAN CHASE | JPM CHASE | JPM CHASE | JPM CHASE | |
| B. | ACCOUNT NUMBER: | 790437578 | 790438485 | 790438568 | |
| C. | PURPOSE (TYPE): | Operating | Payroll | AVCO | |
| 1. | BALANCE PER BANK STATEMENT | 3,233,066 | 0 | 700,000 | 3,933,066 |
| 2. | ADD: TOTAL DEPOSITS NOT CREDITED | 0 | 0 | 0 | 0 |
| 3. | SUBTRACT: OUTSTANDING CHECKS | 0 | 0 | 0 | 0 |
| 4. | OTHER RECONCILING ITEMS | 0 | 0 | 0 | 0 |
| 5. | MONTH END BALANCE PER BOOKS | 3,233,066 | 0 | 700,000 | 3,933,066 |
| 6. | NUMBER OF LAST CHECK WRITTEN | 70629 | | Wires only | 70629 |
| INVESTMENT ACCOUNTS | | | | | |
| BANK, ACCOUNT NAME, & NUMBER | | DATE OF PURCHASE | TYPE OF INSTRUMENT | PURCHASE PRICE | CURRENT VALUE |
| 7. | | | | | |
| 8. | | | | | |
| 9. | | | | | |
| 10. | | | | | |
| 11. TOTAL INVESTMENTS | | | | 0 | 0 |
| CASH | | | | | |
| 12. CURRENCY ON HAND | | 500 | | | |
| 13. TOTAL CASH - END OF MONTH | | 3,933,566 | | | |

| |
|-------------------------------------|
| CASE NAME: SUPERIOR AIR PARTS, INC. |
| CASE NUMBER: 08-36705-BJH-11 |

ACCRUAL BASIS-5

The debtor in possession must complete the reconciliation below for each bank account, including all general, payroll, and tax accounts, as well as all savings and investment accounts, money market accounts, certificates of deposit, governmental obligations, etc. Accounts with restricted funds should be identified by placing an asterisk next to the account number. Attach additional sheets if necessary.

MONTH: _____

| BANK RECONCILIATIONS | | Account #1 | Account #2 | Account #3 | TOTAL |
|----------------------|----------------------------------|------------|-------------|------------|-------|
| A. | BANK: JPMORGAN CHASE | JPM CHASE | JPM CHASE | JPM CHASE | |
| B. | ACCOUNT NUMBER: | 790438162 | 790438501 | | |
| C. | PURPOSE (TYPE): | AP | Section 125 | | |
| 1. | BALANCE PER BANK STATEMENT | 0 | 0 | 0 | 0 |
| 2. | ADD: TOTAL DEPOSITS NOT CREDITED | 0 | 0 | 0 | 0 |
| 3. | SUBTRACT: OUTSTANDING CHECKS | 0 | 0 | 0 | 0 |
| 4. | OTHER RECONCILING ITEMS | 0 | 0 | 0 | 0 |
| 5. | MONTH END BALANCE PER BOOKS | 0 | 0 | 0 | 0 |
| 6. | NUMBER OF LAST CHECK WRITTEN | | | | 0 |

INVESTMENT ACCOUNTS

| BANK, ACCOUNT NAME, & NUMBER | DATE OF PURCHASE | TYPE OF INSTRUMENT | PURCHASE PRICE | CURRENT VALUE |
|------------------------------|-------------------|--------------------|----------------|---------------|
| 7. | | | | |
| 8. | | | | |
| 9. | | | | |
| 10. | | | | |
| 11. | TOTAL INVESTMENTS | | 0 | 0 |

| | |
|------|---------------------------|
| CASH | |
| 12. | CURRENCY ON HAND |
| 13. | TOTAL CASH - END OF MONTH |

Monthly Operating Report
ACCRUAL BASIS-6

CASE NAME: SUPERIOR AIR PARTS, INC.

CASE NUMBER: 08-36705-BJH-11

MONTH: _____

OF THE TOTAL DISBURSEMENTS SHOWN FOR THE MONTH, LIST THE AMOUNT PAID TO INSIDERS (AS DEFINED IN SECTION 101 (31) (A)-(F) OF THE U.S. BANKRUPTCY CODE) AND TO PROFESSIONALS. ALSO, FOR PAYMENTS TO INSIDERS, IDENTIFY THE TYPE OF COMPENSATION PAID (e.g. SALARY, BONUS, COMMISSIONS, INSURANCE, HOUSING ALLOWANCE, TRAVEL, CAR ALLOWANCE, ETC.). ATTACH ADDITIONAL SHEETS IF NECESSARY

| INSIDERS | | | |
|-------------------------------|-----------------|-------------|--------------------|
| NAME | TYPE OF PAYMENT | AMOUNT PAID | TOTAL PAID TO DATE |
| 1. Kent Abercrombie | Payroll | 10,500 | 86,500 |
| 2. Kent Abercrombie | Travel Expenses | 157 | 1,726 |
| 3. | | | |
| 4. | | | |
| 5. | | | |
| 6. TOTAL PAYMENTS TO INSIDERS | | | 88,226 |

| PROFESSIONALS | | | | | |
|------------------------------------|---|-----------------|-------------|--------------------|--------------------------|
| NAME | DATE OF COURT ORDER AUTHORIZING PAYMENT | AMOUNT APPROVED | AMOUNT PAID | TOTAL PAID TO DATE | TOTAL INCURRED & UNPAID* |
| g. 1. STRASBURGER | 06/29/09 | 394,547 | 394,547 | 394,547 | 498,226 |
| 2. CORPORATE FINANCE PARTNERS | | | | | 0 |
| 3. BAKER & MCKENZIE | 06/26/09 | | | 177,656 | 208,788 |
| 4. LAIN FAULKNER | 06/26/09 | 57,760 | 57,760 | 57,760 | 78,803 |
| 5. | | | | | |
| 6. TOTAL PAYMENTS TO PROFESSIONALS | | 452,306 | 452,306 | 629,962 | 785,816 |

* INCLUDE ALL FEES INCURRED, BOTH APPROVED, AND UNAPPROVED

POSTPETITION STATUS OF SECURED NOTES, LEASES PAYABLE AND ADEQUATE PROTECTION PAYMENTS

| NAME OF CREDITOR | SCHEDULED MONTHLY PAYMENTS DUE | AMOUNTS PAID DURING MONTH | TOTAL UNPAID POSTPETITION |
|---------------------------|--------------------------------|---------------------------|---------------------------|
| 1. TEXAS DUGAN | 34,387 | 35,122 | 0 |
| 2. AICCO | 0 | 0 | 0 |
| 3. GREAT AMERICAN LEASING | 734 | 734 | (0) |
| 4. PRINT, INC. | 0 | 0 | 0 |
| 5. ARAMARK | 240 | 587 | (347) |
| 6. DALLAS RECYCLING | 238 | 0 | 238 |
| 7. ERVIN LEASING | 301 | 301 | 0 |
| 8. TYGRIS VENDOR | 5,339 | 15,700 | (10,361) |
| 9. TOTAL | 41,239 | 52,445 | (10,471) |

Monthly Operating Report

CASE NAME: SUPERIOR AIR PARTS, INC.

ACCRUAL BASIS-7

CASE NUMBER: 08-36705-BJH-11

MONTH: _____

QUESTIONNAIRE

| | YES | NO |
|--|-----|----|
| 1. HAVE ANY ASSETS BEEN SOLD OR TRANSFERRED OUTSIDE THE NORMAL COURSE OF BUSINESS THIS REPORTING PERIOD? | | X |
| 2. HAVE ANY FUNDS BEEN DISBURSED FROM ANY ACCOUNT OTHER THAN A DEBTOR IN POSSESSION ACCOUNT? | | X |
| 3. ARE ANY POSTPETITION RECEIVABLES (ACCOUNTS, NOTES, OR LOANS) DUE FROM RELATED PARTIES? | | X |
| 4. HAVE ANY PAYMENTS BEEN MADE ON PREPETITION LIABILITIES THIS REPORTING PERIOD? | | X |
| 5. HAVE ANY POSTPETITION LOANS BEEN RECEIVED BY THE DEBTOR FROM ANY PARTY? | | X |
| 6. ARE ANY POSTPETITION PAYROLL TAXES DUE? | | X |
| 7. ARE ANY POSTPETITION STATE OR FEDERAL INCOME TAXES PAST DUE? | | X |
| 8. ARE ANY POSTPETITION REAL ESTATE TAXES PAST DUE? | | X |
| 9. ARE ANY OTHER POSTPETITION TAXES PAST DUE? | | X |
| 10. ARE ANY AMOUNTS OWED TO POSTPETITION CREDITORS DELINQUENT? | | X |
| 11. HAVE ANY PREPETITION TAXES BEEN PAID DURING THE REPORTING PERIOD? | | X |
| 12. ARE ANY WAGE PAYMENTS PAST DUE? | | X |

IF THE ANSWER TO ANY OF THE ABOVE QUESTIONS IS "YES," PROVIDE A DETAILED EXPLANATION OF EACH ITEM. ATTACH ADDITIONAL SHEETS IF NECESSARY.

INSURANCE

| | YES | NO |
|--|-----|----|
| 1. ARE WORKER'S COMPENSATION, GENERAL LIABILITY AND OTHER NECESSARY INSURANCE COVERAGES IN EFFECT? | X | |
| 2. ARE ALL PREMIUM PAYMENTS PAID CURRENT? | X | |
| 3. PLEASE ITEMIZE POLICIES BELOW. | | |

IF THE ANSWER TO ANY OF THE ABOVE QUESTIONS IS "NO," OR IF ANY POLICIES HAVE BEEN CANCELLED OR NOT RENEWED DURING THIS REPORTING PERIOD, PROVIDE AN EXPLANATION BELOW. ATTACH ADDITIONAL SHEETS IF NECESSARY.

INSTALLMENT PAYMENTS

| TYPE OF POLICY | CARRIER | PERIOD COVERED | PAYMENT AMOUNT & FREQUENCY |
|---|----------------|-----------------|----------------------------|
| Product Liability Insurance | AIG and others | Sep 08 - Aug 09 | 391,875 quarterly |
| Product Liability Insurance | AIG and others | Sep 08 - Aug 09 | 17,500 quarterly |
| Product Liability Insurance | AICCO | Sep 08 - Aug 09 | 5,971 monthly |
| General Liability and Property Casualty | Chubb | Oct 08 - Sep 09 | 7,716 quarterly |
| Auto | Chubb | Oct 08 - Sep 09 | 1,534 quarterly |
| Foreign Package | Chubb | Oct 08 - Sep 09 | 985 quarterly |
| Ocean Cargo | Chubb | Oct 08 - Sep 09 | 8,500 annually |
| Aircraft | AIG | Sep 08 - Sep 09 | 1,129 annually |
| Workers Compensation | Chubb | Oct 08 - Sep 09 | 33,813 annually |

Accrual Basis - 1 Attachment

| | |
|-------------------------------|------------------|
| 14. Other Assts | |
| PMAs | <u>1,001,666</u> |
| | 1,001,666 |
| 22. Other | |
| Accrued Payroll | (8,812) |
| Accrued Profit Sharing | 2,862 |
| 401(K) Contribution Payable | 4,595 |
| 401(K) Employer Match | 2,697 |
| Accrued Insurance - SIR | (360,000) |
| Accrued Scrap | 10,000 |
| Piston Warranty | (4,619) |
| Accrued Advertising | 14,428 |
| Deferred Core Profit | 121,228 |
| Deferred Core Profit - Contra | <u>(124,526)</u> |
| | (342,148) |
| 27. Other | |
| Accrued Payroll | (11,783) |
| Accrued Vacation Pay | (57,237) |
| Accrued Profit Sharing | (3,878) |
| 401(K) Contribution Payable | (5,997) |
| 401(K) Employer Match | (3,215) |
| Accrued Bonuses | - |
| Accrued Insurance - SIR | (1,855,797) |
| Accrued Scrap | (10,000) |
| Piston Warranty | (876,390) |
| Mil Engine Warranty | (227,209) |
| 520 Cylinder Reserve | (207,177) |
| Accrued Advertising | (14,428) |
| Deferred Core Profit | (121,228) |
| Deferred Core Profit - Contra | 124,526 |
| Sales Ret & Allow Reserve | <u>(40,382)</u> |
| | (3,310,194) |

Accrual Basis - 2 Attachment

13. Other

| | |
|---------------------------|----------------|
| Inventory Reserve Accrual | <u>503,500</u> |
| | 503,500 |

21. Other

Accrual Basis - 3 Attachment

25. Other

| | |
|---------------------------|-----------|
| AADFW Inc | 202.43 |
| AADFW Inc | 130.98 |
| Abelardo Martinez | 823.82 |
| Abelardo Martinez | 820.00 |
| Abelardo Martinez | 815.15 |
| ADP Inc | 107.83 |
| ADP Inc | 107.83 |
| ADP Inc | 67.80 |
| ADP Inc | 50.37 |
| ADT Security Services Inc | 227.58 |
| AT&T Mobility | 286.33 |
| Bank Fees | 653.65 |
| Carl H Johnson | 2,180.00 |
| Credit Card Fees | 430.97 |
| Credit Card Fees | 194.82 |
| Credit Card Fees | 27.62 |
| Dynamic Technology Inc | 59.54 |
| Dynamic Technology Inc | 21.65 |
| Maria Garcia | 602.76 |
| Maria Garcia | 596.29 |
| Maria Garcia | 594.47 |
| Maria Garcia | 593.25 |
| Maria Garcia | 526.39 |
| Maria Melgar | 557.46 |
| Maria Melgar | 548.06 |
| Maria Melgar | 483.66 |
| Panalpina Inc - Dal | 510.00 |
| Salvador Cuevas | 658.96 |
| Salvador Cuevas | 657.28 |
| Salvador Cuevas | 194.08 |
| TW Telecom | 1,532.70 |
| United Parcel Service | 1,044.39 |
| United Parcel Service | 907.09 |
| United Parcel Service | 893.65 |
| United Parcel Services | 1,776.76 |
| YRC | 7,001.13 |
| YRC | 243.45 |
| YRC | 223.55 |
| YRC | 219.90 |
| YRC | 160.26 |
| YRC | 110.52 |
| | <hr/> |
| | 27,844.43 |

| DEPARTMENT | HOURS | EARNINGS | GROSS | STATUTORY DEDUCTIONS | VOL DEDS. | NET PAY |
|-------------------|-----------|-------------|-----------|----------------------|-------------|-----------|
| | Reg / O/T | Hours 3 & 4 | Reg / O/T | Earn 3 & 4 | Earn 5 | NO. PAYS: |
| ** GRAND TOTAL ** | | | | | | 15 |
| | | | | Federal | State/Local | NET CASH: |
| | | | | | | 26,218.30 |

Hours 3,4 Analysis:

Earnings 3,4,5 Analysis:

Memo Analysis:

Deduction Analysis

| | | | | | | | | | | | | | | | | | | |
|---------------------------------|------|-------|---|-----|-------|---|------|--------|-------|--------|-------|-------|--------|--------|--------|-------|--------|-----------|
| S | SICK | 33.26 | V | VAC | 72.00 | S | SICK | 411.51 | Total | 411.51 | Total | N - K | 401MTC | 520.04 | 520.04 | A | COLPRE | 33.57 |
| | | | | | | | | | | | | | | | | B | COLPST | 31.87 |
| | | | | | | | | | | | | | | | | F | K LOAN | 508.30 |
| | | | | | | | | | | | | | | | | H | HLTH | 1,601.61 |
| | | | | | | | | | | | | | | | | J | TERMLF | 103.24 |
| | | | | | | | | | | | | | | | | K | 401K | 1,913.73 |
| | | | | | | | | | | | | | | | | W | CHK | 25,968.30 |
| | | | | | | | | | | | | | | | | X | CHK2 | 150.00 |
| | | | | | | | | | | | | | | | | Z | SAV2 | 100.00 |
| | | | | | | | | | | | | | | | | Total | | 30,410.62 |
| Analysis: STATE STATE STATE FIT | | | | | | | | | | | | | | | | | | |
| TAX TAX BY STATE | | | | | | | | | | | | | | | | | | |
| 4,408.05 | | | | | | | | | | | | | | | | | | |
| X | | | | | | | | | | | | | | | | | | |

| Federal Taxable Analysis and Employer Unemployment Liability | TAXABLE | PCT | TAX |
|--|-----------|------|----------|
| Federal | 34,018.61 | | 4,408.05 |
| State | | .80 | |
| Unemployment Security-EE | 35,932.34 | 6.20 | 2,227.84 |
| Unemployment Security-ER | 35,932.34 | 6.20 | 2,227.81 |
| Medicare-EE | 35,932.34 | 1.45 | 521.01 |
| Medicare-ER | 35,932.34 | 1.45 | 521.02 |

| Federal | TOTAL |
|--------------------------|----------|
| Federal | 4,408.05 |
| State | |
| Unemployment Security-EE | 2,227.84 |
| Unemployment Security-ER | 2,227.81 |
| Medicare-EE | 521.01 |
| Medicare-ER | 521.02 |

| Federal | TOTAL |
|--------------------------|----------|
| Federal | 4,408.05 |
| State | |
| Unemployment Security-EE | 2,227.84 |
| Unemployment Security-ER | 2,227.81 |
| Medicare-EE | 521.01 |
| Medicare-ER | 521.02 |

| Federal | TOTAL |
|--------------------------|----------|
| Federal | 4,408.05 |
| State | |
| Unemployment Security-EE | 2,227.84 |
| Unemployment Security-ER | 2,227.81 |
| Medicare-EE | 521.01 |
| Medicare-ER | 521.02 |

ALL CROSSFOOTS OK

| DEPARTMENT | HOURS | EARNINGS | GROSS | STATUTORY DEDUCTIONS | VOL DEDS. | NET PAY |
|----------------|-------------|------------|-----------|----------------------|-------------|-----------|
| | Reg / O/T | Reg / O/T | Earn 5 | Federal | State/Local | |
| GRAND TOTAL ** | Hours 3 & 4 | Earn 3 & 4 | NO. PAYS: | 15 | NET CASH: | 25,975.95 |

3,4 Analysis: 48.35 / VAC 48.35 Total 48.35 Earnings 3,4,5 Analysis: V VAC 227.92 Total 227.92 Memo Analysis: N - K 401MTC 518.12 518.12

| | | | |
|-----------|-------------|--------------|----------|
| STATE TAX | STATE WAGES | FIT BY STATE | 4,382.15 |
| | | | 4,382.15 |

| Total Taxable Analysis and Employer Unemployment Liability | | | |
|--|-----------|----------|----------|
| TAXABLE | PCT | TAX | |
| 33,727.75 | | 4,382.15 | |
| | .80 | | |
| Security-EE | 35,637.33 | 6.20 | 2,209.50 |
| Security-ER | 35,637.33 | 6.20 | 2,209.51 |
| Security-EE | 35,637.33 | 1.45 | 516.74 |
| Security-ER | 35,637.33 | 1.45 | 516.74 |

| TOTAL LIABILITY | |
|-----------------|--|
| 4,382.15 | |

| | |
|------------------------|----------|
| Income Credit Advances | |
| Security | 2,209.50 |
| Withheld | 2,209.51 |
| Withheld X 6.20% | 4,419.01 |
| Security | |
| Withheld | 516.74 |
| Withheld X 1.45% | 516.74 |
| Medicare | 1,033.48 |
| Total | 9,834.64 |

ALL CROSSFOOTS OK

| Deduction Analysis | |
|--------------------|-----------|
| A COLPRE | 33.57 |
| B COLPST | 31.87 |
| F K LOAN | 508.30 |
| H HLTH | 1,601.61 |
| J TERMILE | 103.24 |
| K 401K | 1,909.58 |
| W CHK | 25,725.95 |
| X CHK2 | 150.00 |
| Z SAV2 | 100.00 |
| Total | 30,164.12 |

| Cafeteria 125 Deduction Analysis | |
|----------------------------------|----------|
| A - MED | 33.57 |
| H - MED | 1,601.61 |
| Total | 1,635.18 |